

RECOMMENDATIONS ARISING FROM 2004/05 AUDIT WORK

Conclusions from work	Recommendations	Priority	Management response	Responsibility	Timing
REVIEW OF CORE FINANCIAL SYSTEMS The following recommendations arose from our review of the Authority's systems of internal financial control					
Payroll – reconciliation There is currently no reconciliation between the payroll system and the general ledger. There is an expectation that as a minimum there would be agreement of totals from payroll reports to the journal entries in the general ledger, although this is not performed. There is therefore a risk that payroll costs are not accurately stated in the accounts.	Ensure that reconciliations are performed between payroll and the general ledger and appropriate supporting evidence is retained.	High	The Authority now completes monthly reconciliations of all payroll codes with the information produced from the payroll system. In addition the total payroll costs are agreed to the monthly posting journal on entry to the system. 11/05 – Cumulative year-to-date reconciliation now introduced in addition	Payments & Income Manager	June 2005 DELETE

15 December 2005

NNDR – exception reports <p>Although the Authority produces exception reports from the NNDR system there is no evidence available to verify that issues within them have been actioned. There is therefore a risk that errors are not being properly addressed.</p>	<p>The Authority should develop and implement an audit trail for the use and verification of the errors identified.</p>	<p>Medium</p>	<p>Accepted.</p> <p>11/05 CBC has agreed that exception report evidencing will be in place under the terms of the contract. Currently there is a problem in that our release of ACADEMY is not up to date and affects their workflow. Sungard Vivista is hoping to address position by 1/12/05.</p>	<p>Revenues & Benefits Manager</p>	<p>Ongoing in view of IT position</p>
Council tax – refunds <p>Internal Audit's work highlighted that Council Tax refund requests received from account holders, which is the initial authorisation, are not always kept on file. It is important that evidence of the account holders request is kept on file as without it there is a risk that inappropriate refunds will be made for which the Authority will be liable.</p>	<p>Ensure evidence of the request from the account holder is stored on the house file.</p>	<p>Medium</p>	<p>Revised procedure implemented post audit that has been risk tested. Procedures drafted and authorisation is independent of initiation. Full audit trail on system.</p>	<p>Revenues & Benefits Manager</p>	<p>Ongoing</p> <p><i>Refund controls will be tested within annual internal audit work</i></p> <p>DELETE</p>

15 December 2005

Housing rents – reconciliation Internal Audit's work highlighted from discussions with officers that the reconciliation between the Rents system and the general ledger is still not being produced due to a lack of knowledge of its preparation following staff departures in the prior year. There is therefore a risk that the Authority is not recording the related income correctly.	Ensure that the issues relating to this reconciliation are rectified as a matter of priority to enable the reconciliation to be completed at regular intervals to ensure that the Housing Rents system is accurate.	High	Accepted. New post of Housing Finance Officer has been created and an appointment in place. This post will be responsible for reconciliations of Rent and Supporting People End of year reconciliation of rent cash income, other than Supporting People, was completed	Housing Finance Officer	End December 05
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15 December 2005

FOLLOW UP OF RECOMMENDATIONS ARISING FROM PREVIOUS YEARS

Conclusions from work	Priority	Responsibility	Timing	Action to date	Resolved	Revised timing
OPINION WORK ON THE FINANCIAL SYSTEM <i>The following recommendations arose from our review of the Authority's financial systems.</i>						
Payroll – reconciliations Reconciliation between the two systems should be carried out and retained together with all supporting documentation.	High	Payments and Income Manager	-	Payroll reconciliations are now carried out monthly and evidence is kept by the Payments and Income Manager	Yes	N/A See 2004/05 Recommendation Above DELETE
Payroll – establishment lists All line managers should be reminded to review and return this document as soon as possible, and a follow-up procedure should be introduced to ensure that records are complete.	High	Human Resources Manager	-	Establishment lists are circulated to heads of Service for confirmation that they are still correct or require amendment. Non-respondents are chased up.	Yes	N/A. Procedures are fully in place as recommended DELETE
Cash and bank – bank reconciliation Monthly reconciliations should be carried out between the General Ledger and bank statements, with reviews carried out by senior staff and appropriate evidence retained.	High	Head of Financial Services	February 2005	Monthly reconciliations are carried out. Although an adjustment had to be made for 2004/05, all bank reconciliations in 2005/06 have balanced.	Yes	Bank reconciliation controls will be tested within annual internal audit work DELETE

15 December 2005

Cash and bank – cash reconciliation Relevant papers should be evidenced to show that the check has occurred and retained to provide and audit trail.	Medium	Cashiers	Ongoing	The bank statement is reconciled on a daily basis – redesigned spreadsheets show balancing.	Yes	Bank reconciliation controls will be tested within annual internal audit work DELETE
Debtors – ledger reconciliations Reconciliations should be subject to a review by a more senior officer to ensure that they are correctly performed, that comments relating to differences are documented on the reconciliation and that evidence is retained to demonstrate that this review has been completed.	High	Payments and Income Manager	-	Accepted.	Yes	Debtor reconciliation controls will be tested within annual internal audit work DELETE

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Debtors – checking of invoices Ensure that all invoices are checked for completeness and initialled to provide evidence that this has been completed	Medium	Payments and Income Manager	March 2005	We do not keep hard copies of invoices. This issue will be considered as part of the review of the debtors' processes to be carried out before the end of 2004/05.	No	We have, as agreed, reviewed the position. We have concluded, after taking account of the risk exposure and the likely cost of implementation not to implement this recommendation. DELETE
Debtors – invoice dating Invoices should be raised promptly after the service is provided and appropriately dates to that amounts are reflected in the correct period.	Medium	Payments and Income Manager	Dec 2004	The year-end accruals process will identify material invoices, As PKF say, invoice date is automatically generated, so cannot change that. Officers will be reminded that the date the service is provided should be included in the narrative of the invoice.	No	Ongoing. 11/05 Reminders have been issued DELETE

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Debtors – completeness of income Controls should be implemented to ensure that all sources of sundry income are identified and invoiced.	Medium	Payments and Income Manager	-	With the small volume of sundry income received by the Authority, we consider that the controls in place are adequate. These include: – Use of rechargeable works codes and recharge sheets. – Payment at point of delivery or booking. – Records kept by Payments & Income Officer for annual sundry charges	Partial	We have, as agreed, reviewed the position. We have concluded, after taking account of the risk exposure and the likely cost of implementation not to implement this recommendation. Sundry Income collection is included within internal audit work DELETE
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<p>Creditors – completeness of expenses</p> <p>With the current search for a new system, the facility to track invoices even if received by an alternate department should be considered.</p>	Medium	Payments and Income Manager	March 2005	<p>Not accepted. The Authority pays over 98% of its invoices within 30 days. Invoices requiring departmental authorisation are sent direct to departments; sending them to Financial Services to then forward to departments would delay the Authorisation process. An invoice register facility will be considered in any new system. With e-procurement new arrangements for payments of invoices are being introduced. There will be fewer amounts sent for departmental approval.</p>	No	<p>N/A</p> <p>DELETE</p>
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Housing Rents – reconciliations It should be ensured that there are procedures in place on how the relevant reconciliations are to be carried out, i.e. which reports are used, so that in staff absences, reconciliations can still be carried out with ease and old reconciliations can be followed up.	High	Head of Revenues and Housing Management	March 2005	Accepted. Internal Audit had already raised this issue and action is being taken to ensure comprehensive audit trails are in place for reconciliation procedures.	No	March 2006
Housing Rents – arrears chasing It should be ensured that this is carried out on an ongoing basis to maximise recovery.	High	Housing Manager	-	Implementation of this recommendation is dependent upon staffing. Current tenants being managed. Former tenants now being dealt with	Partial	Ongoing. 11/05 HRHM wishes to ensure that satisfactory measures are in place for ongoing management of former tenant debts before sign-off

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Benefits – reconciliations This reconciliation should be carried out regularly to ensure that all benefit has been correctly recorded in the general ledger.	High	Business Support Manager	December 2004	Reconciliation was carried out for the 2003/04 year-end and a monthly reconciliation developed. Reconciliations now being undertaken, process to be verified	Partial	March 2006
Benefits – registering claims Ensure all applications are registered onto the system on the day they are received.	Medium	Revenue and Benefits Manager	-	Cases are now registered on the day of receipt or the following day depending on the volume of post.	Yes	N/A DELETE

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Benefits – promptness of processing The schedule should be used to review all cases, noting the current position with the application review process. This may result in cases not being dealt with promptly and possible loss of benefit subsidy.	Medium	Revenue and Benefits Manager	-	We are continuing to consider options to improve the speed of processing of new claims and changes of circumstances, including achieving the Authority's targets and top quartile targets. We will include this recommendation within these considerations.	No	11/05 We continue to enjoy top quartile performance. Comino D/P system will enhance speed of processing. DELETE
Benefits – segregation of duties Ensure all overpayments raised are notified to, and treatment agreed by, an appropriate member of staff.	Medium	Revenue and Benefits Manager	-	All overpayment cases once identified are passed to the Recovery team for checking and collection. Also a Senior Officer carries out a random 10% check, with a 100% check for new staff for the first six months.	Yes	N/A DELETE

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Council tax – reconciliations Ensure reconciliation between the Council Tax System and the General Ledger is completed regularly and is reviewed by a more senior member of staff.	High	Business Support Manager	-	Accepted and now being completed.	Yes	N/A DELETE
NNDR – discounts and exemptions A more senior member of staff within the department should authorise the property officer's work, and evidence that this has been done should be retained.	High	Revenue and Benefits Manager	May 2005	This is currently being reviewed as part of the contract with Chelmsford.	No	There are no property discounts under NNDR. NNDR is a very specialist subject, which is administered at CBC by a senior member of staff. <i>(Note Property Officers work falls within the Audit Program)</i> DELETE

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Conclusions from work	Priority	Responsibility	Timing	Action to date	Resolved	Revised timing
REVIEW OF SYSTEMS OF INTERNAL FINANCIAL CONTROL <i>The following recommendations arose from our review of the Authority's Systems of Internal Financial Control</i>						
Statement of Internal Control The Authority should consider and finalise arrangements for the preparation of this mandatory Statement for inclusion in the Statement of Accounts (for which the statutory deadline for preparation is 31 August). Arrangements should include ensuring that sufficient evidence is available to support the position being outlined and to which the Leader and the Chief Executive must approve.	High	CD (FES)	March 2005	A review of the council's approach to producing this Statement needs to be undertaken.	No	March 2006
Internal Audit – evidence of reliance The Authority should consider the best use of audit resources and, should an increase in the reliance be sought, ensure that Internal Audit plan to walkthrough and compliance test all the PKF key controls.	High	APRM	March 2005	Discussions will be held with PKF to identify what they regard as best practice within a cost effective and risk based environment.	Partial	Ongoing discussions are held with PKF and greater reliance placed on our testing of key controls. DELETE

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<p>Internal Audit – audit trail</p> <p>Evidence of re-performance should be retained, e.g. narrative to explain exactly what testing has been carried out, retention of example papers to clearly demonstrate what has been looked at and specific items reviewed highlighted.</p> <p>To maximise the reliance that can be place, sample sizes should be selected to cover as much of the year under audit as possible.</p> <p>As far as possible, all inter-related documents should be cross-referenced to allow for information to be traced easily.</p>	High	APRM	On-going	We are working with External Audit to develop our procedures on completing the Key Control Evaluations (KCE).	Partial	<p>11/05 New PKF Control Evaluation Summaries have been introduced to replace KCE for 2005/06 Audit Year. Discussions are ongoing to ensure effective use is made of them</p> <p>DELETE</p>
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<p>Exception reports</p> <p>Where possible, exception reports should be generated and the results cleared, and evidenced as such, on a regular basis.</p>	Medium	<p>Head of Financial Services</p> <p>Head of Revenues and Housing Management</p>	<p>Where IT systems are capable of running exception reports, they are produced, for example:</p> <p>Finance – month end budget monitoring reports with highlighted overspends</p> <p>Payroll – variety of reports comparing month on month</p> <p>Housing benefits - >£5,000</p> <p>Discounts/exemptions due to expire</p>	Yes	<p>N/A</p> <p>DELETE</p>
<p>Housing Rents – procedure notes</p> <p>Procedure notes should be promptly reviewed, updated and communicated to relevant staff.</p>	High	Housing Manager	Following new housing rents software	Accepted. This will be developed following the implementation of the new rents system.	<p>No</p> <p>March 2006</p>

15 December 2005

Council Tax – procedure notes The current review should be finalised and updated procedure notes made available for reference at the earliest opportunity.	High	Revenue and Benefits Manager	May 2005	Accepted. 11/05 Current draft being reviewed by External Consultant	No	Feb 2006
NNDR – procedure notes All staff should be made aware of the procedure notes and be trained to use them where necessary.	Medium	Revenue and Benefits Manager		Procedure manual to be updated in conjunction with Chelmsford. Staff will be made aware of the location of the procedure notes.	No	CBC has procedures in place by means of workflow diagrams. ISO and Charter-mark accreditation in place DELETE

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System access Either the system parameters should be amended to force staff to change passwords regularly, or emails should be followed up to ensure passwords have actually been changed.	Medium	Accountancy Manager Housing Manager	-	The primary password control is to the network and users are forced to change it every 90 days. The email reminders will be chased up for response.	Yes for Finance System. Housing - New system 2005 with auto prompt and enforce for password change	N/A (E-mail follow up for Financial Services. Checked within Internal Audit work) N/A DELETE (Both Areas)
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Action plans arising from recommendations Outstanding action points should be revisited and realistic timescales agreed for implementation. Repeatedly deferred actions should be highlighted and explanations sought and minuted.	High	APRM and CMB/OMT	-	Accepted. Action Plans are monitored with changes to dates highlighted. Internal Audit Recommendations are also monitored through Committee.	Yes	N/A DELETE
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